Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 KINSHA 01879 041615Z
ACTION EB-08

INFO OCT-01 AF-08 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 PA-01 PRS-01 AGRE-00 NSC-05
SS-15 STR-04 CEA-01 L-03 H-01 IO-13 /095 W
----------050529Z 023986 /15
R 041547Z MAR 77
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 2069

C O N F I D E N T I A L KINSHASA 1879

DEPT PASS TREASURY, EXIM, COMMERCE

E.O. 11652: GDS
TAGS: EFIN, CG
SUBJECT: GOZ BUDGET FOR IMF

REF: KINSHASA 1618

1. ACCORDING TO LOCAL PRESS REPORTS, THE NEW EXECUTIVE COUNCIL MET MARCH 2 AND INTER ALIA DISCUSSED THE BUDGET FOR 1977. THE EXECUTIVE COUNCIL REPORTEDLY ESTABLISHED A BUDGETARY CEILING OF 800 MILLION ZAIRES. THIS TARGET WOULD BE ACHIEVED BY HOLDING DOWN THE BUDGET AND THE BALANCE OF PAYMENTS DEFICITS AND RESTRAINING THE LEVEL OF PRICE INFLATION. THE 1977 BUDGET ENVISIONS DOMESTIC INFLATION RATE OF 30 PERCENT FOR THE YEAR (2.5 PERCENT PER MONTH) AS OPPOSED TO A 1976 INFLATION RATE OF 84.5 PERCENT FOR THE YEAR (12.5 PERCENT PER MONTH).

2. ON THE REVENUE SIDE, THE EXECUTIVE COUNCIL REPORTEDLY DECIDED TO INCREASE COFFEE EXPORT TAX FROM 0.13 ZAIRES TO 0.83 ZAIRES PER KILOGRAM AND TO IMPOSE A SUPPLEMENTARY TAX ON THE PRODUCTION OF PETROLEUM. THE EXECUTIVE COUNCIL ALSO DECIDED TO FACILITATE THE IMPOSITION OF COFFEE TAXES BY REGISTERING PLANTATIONS SO THAT GOVERNMENT COULD ESTIMATE PRODUCTION LEVELS.
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PAGE 02 KINSHA 01879 041615Z

3. AMBASSADOR AND ECON COUNSELOR DISCUSSED ABOVE PRESS REPORTS WITH IMF OFFICIAL GEUNTHER PRESENTLY IN KINSHASA AS OBSERVER TO ECA CONFERENCE. GEUNTHER STATED THAT ARTICLE WAS NOT INCONSISTENT WITH PROJECTED IMF STANDBY AGREEMENT AS IMF WAS MAINLY CONCERNED THAT BUDGET DEFICIT FINANCED FROM CENTRAL BANK FINANCING BE NO MORE THAN 160 MILLION ZAIRES (SEE REFTEL).

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WHETHER GOZ ACCOMPLISHED SUCH BY NEW TAXES OR CUTTING CONTEMPLATED EXPENDITURES OR COMBINATION OF BOTH IS AGREEABLE TO IMF.
GEUNTHER CONFIRMED THAT THE STANDBY AGREEMENT WOULD BE DIVIDED INTO 3 TRANCHES. THE FIRST WOULD BE AVAILABLE UPON SIGNING, THE SECOND AND THIRD IN SEPTEMBER AND DECEMBER RESPECTIVELY BUT DEPENDENT UPON PERFORMANCE. HE ALSO STATED THAT THE TOTAL FUNDS AVAILABLE FROM THE STANDBY WOULD BE APPROXIMATELY $70 MILLION. HOWEVER, IT IS CONTEMPLATED THAT APPROXIMATELY $30 MILLION WILL ALSO BE AVAILABLE FROM THE IMF COMPENSATORY DRAWING FACILITY PROVIDING THAT THE GOZ CAN FURNISH NECESSARY DOCUMENTATION CONCERNING COFFEE EXPORTS. DELAY OBTAINING SUCH DOCUMENTATION COULD MEAN THAT THE COMPENSATORY FACILITY DRAWING MIGHT NOT BE AT THE SAME TIME AS THE STANDBY AGREEMENT. HOWEVER, THE COMPENSATORY FACILITY WOULD NOT BE DIVIDED INTO TRANCHES, I.E. THE TOTAL AMOUNT COULD BE DRAWN UPON SIGNING OF AN AGREEMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT BUDGET, PRESS COMMENTS, INFLATION, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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From: KINSHASA
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1977/newtext/t19770393/aaaadeav.tel
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Original Classification: CONFIDENTIAL
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SAS ID: 3209697
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EO Systematic Review
22 May 2009
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